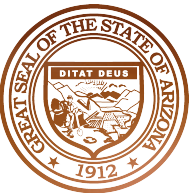


The background of the slide features a large, faint, circular seal of the State of Arizona. The seal contains the text "SEAL OF THE STATE OF ARIZONA" around the top and "1912" at the bottom, flanked by two stars. In the center of the seal is a shield depicting a Native American on horseback, a miner, and a plow.

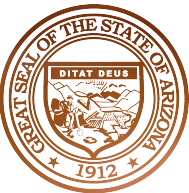
Fee Commission State Land Department

Prepared by OSPB
September 26, 2012



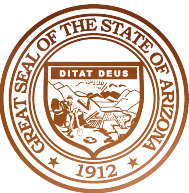
State Land Department

- Federally required to manage state's 9.3 million acres of trust land on behalf of 14 state beneficiaries
- In FY 2012, earned \$219 million for those beneficiaries
- Plans, leases, and sells state trust land
- Acts as a trustee for State Trust land



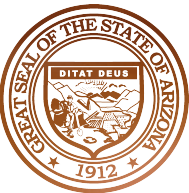
State Land Department

- Comprised of three programs:
 - Trust Management and Revenue Generation
 - Arizona Center for Geographic Information
 - Natural Resource Conservation Districts
- Major funds:
 - Off-Highway Vehicle Recreation
 - Environmental Special Plate
 - **Trust Land Management (TLMF)**
 - Risk Management Revolving
- Fees are deposited into TLMF, expenditures are made out of TLMF



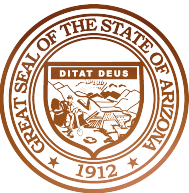
Trust Land Management Fund

- Composed of
 - Fee revenue
 - Land sales and lease revenue
- Current litigation bars Land Department from using sales portion of TLMF case currently on appeal at State Supreme Court (Rumery Case)
- Fees are not directly affected by this case



TLMF Fee Inventory

- For purposes of this study, rent and lease payments not considered “fees”
- Total number fees: 46
- Types of fees
 - Surface Lease Applications (7.88% of total fee revenue)
 - Assignment Applications (5.82%)
 - Improvement Applications (0.37%)
 - Permit Applications (4.81%)
 - Amendment/Agreement Applications (3.40%)
 - Natural Products Applications (10.39%)
 - Sales Applications (67.13%)
 - Miscellaneous Applications (0.21%)

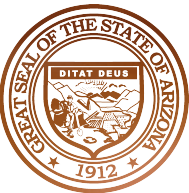


Fee Inventory

- Funds supported
 - General Fund (GF)
 - Trust Land Management Fund
- Annual total fee revenue

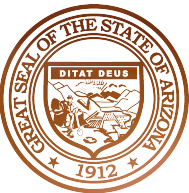
Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$3,954,467	\$2,858,350	\$1,824,328	\$3,299,881	\$3,821,268
Fund	GF	GF	GF & TLMF	GF & TLMF	TLMF

- All fees support the Trust Management and Revenue Generation Program



Fees by Type

- Surface Lease Applications
Agriculture, Grazing, Commercial
- Assignment Applications
Transferring ownership of a lease, permit or right of way
from one entity to another
- Improvement Applications
Improve or treat state land
- Permit Applications
Temporary or recreational use of state land, urban planning



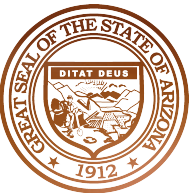
TLMF Fees by Type

- Amendment/Agreement Applications
Sublease, amend terms, temporary right of entry
- Natural Products Applications
Wood, water, minerals, oil, gas, geothermal
- Sales Applications
Preliminary applications for sale of land
- Miscellaneous Applications
Replacement of lost documents, returned checks,
miscellaneous filings
- Right of Way Applications



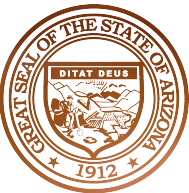
Methodology and History

- Stakeholder meetings
 - Competitive market based
 - Focus groups
-
- FY 2008: all fee revenues deposited into GF
 - FY 2009: all fee revenues deposited into GF, fees increases take effect



History

- FY 2010: fee revenue deposited into GF and TLMF, increased spending authority
- FY 2011: fee revenue deposited into GF and TLMF
- FY 2012: all fee revenue deposited into TLMF
- Supreme Court decision will not affect the flow of fee revenue

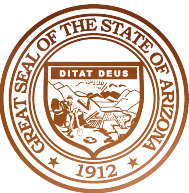


Sample of Fees:

New or Renewed Right of Way

- Current fee charge: \$500
- Last changed in FY 2009
- Fee revenues

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$31,636	\$102,050	\$68,600	\$146,464	\$113,800
Fund	GF	GF	GF & TLMF	GF & TLMF	TLMF



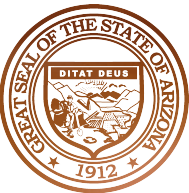
Sample of Application Process: Rights of Way Timelines

Typical (70-80% of cases):

- 9-12 months
- Single use
- Not influenced by municipalities or jurisdictions
- No negative impact
- Usually within one jurisdiction or municipality
- No subsurface rights or use conflicts
- No infrastructure issues
- Short in linear footprint

Complex (20-30% of cases):

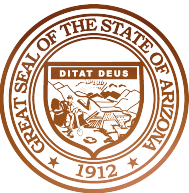
- 18-24 months
- Multi use
- Influenced by municipalities or jurisdictions
- Conflicts with existing uses, leases, or rights
- Conflicting/complex infrastructure
- Long in linear footprint
- State, Federal, or Local permitting
- Funding and construction constraints/timeline



Sample of Fees: Application to Purchase

- Current fee charge: \$2,000
- Last changed in FY 2009
- Fee revenues

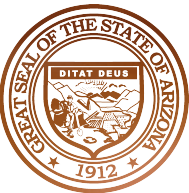
Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$3,200	\$14,400	\$7,800	\$24,000	\$12,000
Fund	GF	GF	GF & TLMF	GF & TLMF	TLMF



Fee Sustainability

Trust Land Management Fund- FY 2012	
Revenues	\$3,821,268
Expenses	\$1,756,424

- Department currently spending under revenue and appropriation level due to uncertainty associated with Rumery litigation
- Actual cost of issuing leases and selling property difficult to determine because every lease and sale is different
- No major negative feedback from constituents since FY 2009 when fees were last raised



Conclusion

- Fees currently are not tied to activity-based expenses
- Fee revenue can not clearly be compared to costs of processes
- Fees levels appear to be set adequately within the market

Entity	ROW Application Fee
Cities	\$33-\$1,500
State	\$500
Federal	\$115-\$1,089+